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21 September 1959



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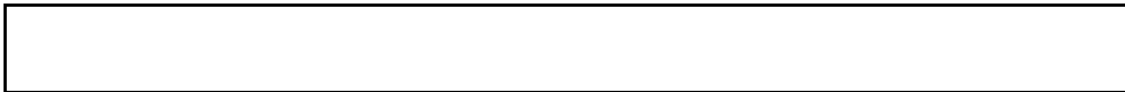
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CENTRAL INTELLIGENCE BULLETIN



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Next 2 Page(s) In Document Exempt

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OK
Reactions to Khrushchev's disarmament proposals: Non-Communist comment on Khrushchev's disarmament proposals has been generally cautious. Official comment, while frequently expressing skepticism, has assured that the proposals will be carefully studied. Influential West European information media are stressing the propagandistic nature of the proposals and are critical of the absence of provisions for effective control. Nasir has lauded the proposals as consistent with long-standing desires of the Arab world, and they have received top billing in Iraq. Socialist and leftist elements in Japan, the United Kingdom, Australia, Italy, and elsewhere, urge that fullest consideration be given the proposals "as the best hope remaining in the world, but to this enthusiastic response is sometimes added the hope that Khrushchev is ready to accept an effective inspection and control mechanism.

21 Sept 59

DAILY BRIEF

ii

25X1

III. THE WEST

25X1

France-Algeria: Favorable reaction abroad to De Gaulle's 17 September proposals on Algeria, which were aimed partly at Free World countries whose support he is seeking for France's position in the United Nations, are thus far centered largely in Western Europe. In Latin America, where Paris had particularly hoped to retain support or to win over several countries--Cuba, Chile, Uruguay, and Venezuela--which have indicated they would probably vote against France, the impact of the De Gaulle speech was considerably diminished because of preoccupation with Khrushchev's visit to the United States. Many important "neutrals" such as India are likely to await the Algerian rebels' reply to De Gaulle's proposals before taking a stand. The rebel government is now meeting in Tunis. Communist bloc reaction has been generally negative but to date has been expressed primarily in low-level propaganda commentary. [REDACTED]

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Brazil: The government may send a trade mission to Moscow this week to negotiate a large-scale barter agreement involving Soviet petroleum, [REDACTED]

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OK [REDACTED] The amount involved may be as much as \$100,000,000, about half of Brazil's annual oil import requirements. The USSR has offered Brazil smaller amounts of oil several times in the past year and during the summer reportedly offered to buy large amounts of coffee as part of its continuing effort to conclude a trade treaty. Several high-ranking Brazilian officials are opposed to large-scale transactions with the USSR, but President Kubitschek may believe it offers the only politically feasible solution to the country's severe foreign exchange difficulties. [REDACTED]

25X1

21 Sept 59

DAILY BRIEF

iii

25X1

25X1 South Tirol: (Renewed tension between Austria and Italy seems likely to result from Austrian Foreign Minister Kreisky's declared intention of referring to the South Tirol dispute as an "important subject" in his forthcoming address to the UN General Assembly.

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25X1 [REDACTED]

25X1 [REDACTED] Even a moderate reference in the UN to the problems of the South Tirol will probably strike the Italians as provocative.

[REDACTED]

25X1

21 Sept 59

DAILY BRIEF

iv

25X1

Approved For Release 2002/10/21 : CIA-RDP79T00975A004700180001-0

Next 2 Page(s) In Document Exempt

Approved For Release 2002/10/21 : CIA-RDP79T00975A004700180001-0

25X1

III. THE WEST

Reaction to De Gaulle's Proposals on Algeria

Favorable official reaction to French President de Gaulle's proposals of 17 September for an Algerian solution has thus far been confined mostly to France's NATO allies, who in varying degrees have welcomed it as a "step in the right direction" which will facilitate their support of France in the United Nations debate on Algeria.

25X1 (A British Foreign Office spokesman left the impression with US representatives that the United Kingdom is prepared to support De Gaulle's proposals and is hopeful of a UN resolution on Algeria favorable to France. Canadian representatives in London share this view, a Greek representative in London thought that the proposals would "ease" Greece's position in the United Nations, although the opposition in Athens is said to be taking advantage of the proposals to taunt the Greek Government for having accepted an "unsatisfactory" Cyprus settlement.

25X1 [] West German Chancellor Adenauer characterized De Gaulle's speech as "wonderful," though the official press comment was considerably more restrained. The Italian Foreign Ministry has reportedly recommended that Foreign Minister Pella accept the speech as evidence of a progressive policy justifying continued Italian support of France. The American Embassy in Rome expects, however, that there will be "sniping" from center-left elements, including oil magnate Enrico Mattei, who are "interested in influencing Arabs and of avoiding the colonialist label." Most other official comment in Western Europe is privately favorable, but officially restrained.

In Latin America, where Paris had particularly hoped to retain support in the UN or to win over several countries--such as Cuba, Chile, Uruguay, and Venezuela--which had indicated they would probably vote against France this year, the impact of De Gaulle's proposals was considerably diminished by preoccupation with Khrushchev's visit to the United States. There are few indications of official thinking. The acting foreign minister of Uruguay

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has commented [] that he felt the speech did not change the situation much. In traditionally pro-French Brazil, the government must take into account important Syrian and Lebanese minorities and general public sympathy for Algerian independence.

Reaction is scant in free Asia and Africa, with such important "neutrals" as India apparently awaiting the Algerian rebels' reply to the proposals following the rebel government meeting now being held in Tunis.

Arab reaction, though sharply critical except in Tunisia, also appears to be played down pending the rebel pronouncement expected early this week. Communist bloc reaction has been negative and generally confined to low-level propaganda expressions. In the strongest statement to date, Moscow in a broadcast of 19 September charged that the speech supports the conviction that De Gaulle favors continuing the war. Peiping on 19 September characterized the proposals as "deceptive."

25X1

Brazilian-Soviet Trade Negotiations

President Kubitschek has asked the chief of Brazil's National Petroleum Council (NPC) to be a member of a "negotiating mission" which may leave for Moscow this week to discuss a large-scale barter agreement involving Soviet petroleum, [REDACTED] The

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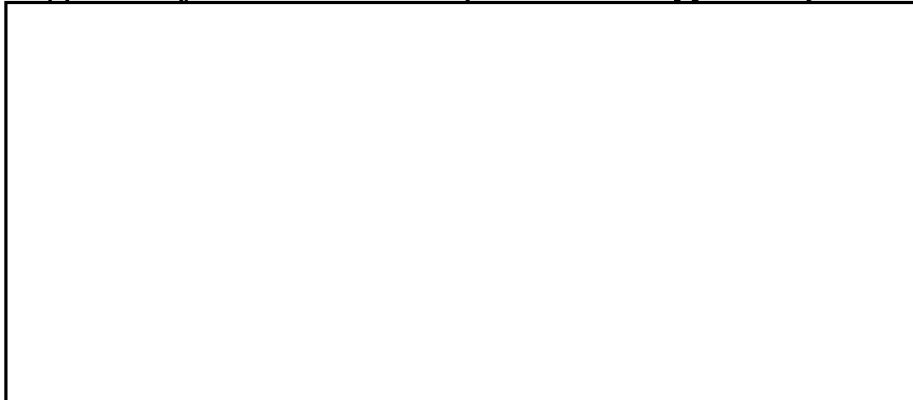
amount involved may be as much as \$100,000,000, [REDACTED] [REDACTED] The NPC reportedly is drawing up a memorandum opposing the transaction, probably because Soviet oil in trial shipments earlier this year proved unsuitable for processing in government-owned refineries.

25X1

President Kubitschek, however, may believe such a deal offers the only politically feasible solution to Brazil's severe foreign exchange difficulties. While Kubitschek appears to have the backing of his new foreign minister, technicians in the Foreign Ministry are not yet persuaded that the transaction would be advantageous. Brazil has been urgently seeking long-term credits from American oil suppliers who normally provide most of the country's \$250,000,000 annual oil import requirements. Dissatisfied with the American counteroffers, the government reportedly has considered forcing the US-owned refineries to process Soviet crude oil.

The USSR has notably stepped up its trade offensive in Brazil during 1959, offering to barter oil, wheat and other products which have been in short supply in Brazil due to foreign exchange problems. [REDACTED] the Soviet Union is willing to accept large quantities of coffee in return. In past talks with the USSR, Brazil has insisted on firm guarantees against resale of coffee in Brazil's traditional markets, apparently without success, and has shipped only small quantities.

25X1



25X1

Renewed Tension Over South Tirol Expected to Follow Austrian UN Move

(Austrian Foreign Minister Kreisky's apparent determination to refer to the South Tirol issue as an "important subject" in his forthcoming address to the UN General Assembly seems likely to raise new obstacles to an early settlement of this long-standing Austrian-Italian territorial dispute. Italy has long considered the South Tirol an internal matter--or at worst, a problem to be resolved in bilateral talks with Austria--and even a moderate reference in the United Nations to the problem will probably strike Rome as provocative.)

(Kreisky has assured American officials in Vienna that his speech will be as "moderate as he can make it,"

He probably intends to stress the "tragic social-economic situation of the South Tirolese who are strangers in their own land," and will call for full regional autonomy of the predominantly German-speaking part of the South Tirol. Italy has shown no intention of granting such autonomy, probably feeling this would be followed by demands for full self-determination and return of the area to Austria.)

(Although Kreisky is generally considered a moderate on the issue, he has seemed especially anxious to champion the South Tirolean cause, and, since he took office in the summer, he has had several conferences with South Tirolean leaders. He evidently hopes his UN speech will satisfy these leaders and result in further talks with the Italians.)

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